# GOVERNMENT OF INDIA
# FINANCE
# LOK SABHA

UNSTARRED QUESTION NO:5264
ANSWERED ON:22.12.2000
FISCAL HEALTH OF STATES
GOWDAR MALLIKARJUNAPPA

**Will the Minister of FINANCE be pleased to state:**

(a) whether the raising trend in the revenue deficit has created a stress on the fiscal health of several States particularly of Maharashtra during the recent years;

(b) if so, the details thereof;

(c) the reasons for rise in the revenue deficit;

(d) whether any financial mismanagement has been the reason for such situation;

(e) if so, whether any guidelines have been issued by Union Government/RBI to State Governments in this regard;

(f) if so, the details thereof;
(g) whether State Governments have asked for additional financial aid from the Union Government; and
(h) if so, the details thereof and the response of the Union Government thereto?

## Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) to (d): Because of rising mismatch between Expenditure and Receipts, the financial position of the States including Maharashtra has worsened. Revenue deficit as a percentage of gross deficit has been increasing in recent years. The increase in the revenue deficit is mainly on account of steep rise in non-plan expenditure, particularly establishment expenditure, deceleration in receipts and increased interest payment liabilities. Details of revenue deficit and gross fiscal deficit as contained in the Report of RBI on State Finances are given below:

(Rs. in crore)

| Year | Revenue Deficit | | Gross Fiscal Deficit | | RD/GFD | |
|---|---|---|---|---|---|---|
| | All States@ | Maharashtra | All States@ | Maharashtra | All States@ | Maharashtra |
| 1997-98 | 16333 | 2579.90 | 44200 | 6442.2 | 37.0 | 40.0 |
| 1998-99(RE) | 40491 | 2741.60 | 75256 | 6971.8 | 53.8 | 39.3 |
| 1999-00(BE) | 40724 | 7251.90 | 77893 | 11016 | 52.3 | 65.2 |

@ includes NCT of Delhi.

(e) & (f): State Governments are autonomous under the Constitution and financial managaement is primarily their responsibility. The Terms of Reference of the Eleventh Finance Commission included, inter-alia review of the finances of the Union and the States and suggesting ways and means by which the Governments collectively and severally may bring about a restructuring of the public finances so as to restore the budgetary balance and maintain macro economic stability. Government of India has accepted the

recommendations of the Eleventh Finance Commission and States are expected to prepare Fiscal Reform Programmes.

(g) & (h): Some State Governments have requested the Government of India from time to time for general and specific relief. In order to alleviate the mismatch in the States cash flows, the Government of India has released Plan assistance, share in Central taxes and small savings loans in advance depending on the need of the State Government. In addition to Ways and Means support by RBI, Central Government also provided Ways and means Advance to many States.